



# FOREST TAX & STEWARDSHIP NEWS



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*A legislative bill has been introduced for discussion into the Wisconsin Assembly. This bill, Assembly Bill 323, includes revisions to the Managed Forest Law (MFL) which have come directly from recommendations made by the Governor's Council on Forestry Special Committee Report, dated December 2002. Overall, these revisions, if adopted, would have little net impact on the state's budget, but would significantly change the administration and implementation of the MFL program.*

*For this article, the proposed changes have been divided into two main categories based on their effect on either landowners or local government.*

## Proposed Legislation to Revise Managed Forest Law and the Effects on Landowners

### The proposed changes to the application process include:

- An application fee change from \$100 to \$300 for all new entries without an approved management plan. The application fee for additions and plans with an approved management plan would continue to be \$20.

**Purpose:** The fee increase would be used to hire additional consultants to complete new MFL management plans.

- The application deadline would be moved back 5 months, from January 31 to July 1, for owners of less than 1000 acres. (The application date will stay March 31 for owners with more than 1,000 acres).

**Purpose:** This change would allow more time for applications to be processed and for contractors to be hired to assist with the preparation of management plans.

- A recorded legal instrument (e.g. deed, land contract, probate document) would be required with all applications.

### Changes that will affect all entries for 2005 and after are:

- A moratorium on yield taxes on harvests during the first five years of the MFL contract. The owner would be exempt from any yield tax on any harvests during the first five years. This would not cover land entered prior to 2005.

**Purpose:** This change would prevent unsustainable harvesting that occurs before land is entered into the MFL program. This proposal is consistent with the MFL intent to manage forests in a sustainable manner.

• An increase in the closed acre fee payment from 5% to 20% of the average tax per acre, (currently \$1.12/acre increasing to approximately \$4.48/acre). This change would affect all current and future MFL lands and take effect January 1, 2008. (This would as well change the acreage share tax formula.)

**Purpose:** This change would recognize one of the original intents of the MFL to have the majority of land open for public access.

**Purpose:** The closed acre fee has not been keeping up with property taxes as it was intended. In the first few years of the MFL, the closed acre fee was approximately 16% of the property tax rate per acre on non-tax law land. This rate has dropped to approximately 5%. The Governor's Council on Forestry recommended that the rate be at least 20% of current property taxes. This would take effect on January 1, 2008.

**Purpose:** This would have little effect on the payment initially, but as property taxes rise on these classifications, the new formula would allow the payment to stay at 5% of the average tax per acre. This rate has dropped to around 3% and was approximately 10% in the late 1980s.



**Other proposed changes to the law apply to all existing MFL entries. Every landowner will need to understand these possible changes. The changes involve fee increases and fines for noncompliance. The proposed changes that you need to be aware of are:**

• The allowable acreage that may be closed to public access would go from 80 to 160 acres per landowner per town. This change would affect all current and future MFL lands.

**Purpose:** Many landowners partition land into 80 acre blocks and change ownership on deeds to allow the closing of all property to public access. The changing of the deed by landowners in an attempt to bypass the 80-acre limit added unnecessary paperwork.

• The department would have the ability to assess a fine of \$250 against an owner for each failure to complete a forestry practice during the required time period. 20% of this noncompliance assessment would go to the county, and 80% would go to the town in which the violation occurred.

**Purpose:** The main beneficiaries of this would be the towns, which lose money from yield taxes that are not collected. However, this would not affect the many landowners that do make an effort to follow management plans and receive extensions from foresters when problems arise.

• The transfer fee for MFL lands would be changed from \$20 to \$100.

**Purpose:** This would cover DNR costs to process paperwork.

• All withdrawals from the MFL would have a \$300 fee.

**Purpose:** This would cover DNR costs to process paperwork.

• Failure to pay personal property taxes on MFL lands would result in withdrawal from the MFL program. Personal property taxes are associated with buildings on MFL lands.

# Proposed Legislation to Revise Managed Forest Law and the Effect on Towns and Counties

The proposed changes that will affect counties and towns are:

- A moratorium on yield taxes on harvests during the first five years of the MFL contract. (Conversion from the Forest Crop Law to the MFL and renewals at the end of an entry period would not be included). The owner would be exempt from yield tax on any harvests during the first five years. This would not apply to land entered prior to 2005.

**Purpose:** This change would prevent unsustainable harvesting that occurs before land is entered into the MFL. This proposal is consistent with MFL intent to manage forests in a sustainable manner. This would create a decrease in revenue for towns and counties from this source.

- The payment of yield and withdrawal taxes to towns and counties would be increased from 50% to 100%. The towns would get 80% and the county 20% of these taxes.

**Purpose:** This change would offset the above loss from the proposed moratorium.

## For More Information

Additional discussions will be occurring as this piece of legislation moves through the adoption process. Your written comments can be sent to your state Assembly or state Senate representative. If you have questions about any of these changes, you can contact either your local DNR forester or the Forest Tax Section in Madison.

- A change in the acreage share tax formula, for open land to bring it to 5% of the statewide equalized value on forest, and swamp and wasteland. This would take effect on January 1, 2008.

**Purpose:** The current formula does not adequately adjust for the changes that are occurring in land values. Thus, landowners that entered the Program ten years ago were paying 10%; now they are paying less than 4%. This will have little effect on the payment initially, but as property taxes rise on these classifications, the new formula will allow the payment to stay at 5% of the average tax per acre.

- The closed acreage fee would change from 5% to 20% of average tax per acre (currently \$1.12/acre increasing to approximately \$4.48/acre). The increase would take effect in 2008, subject to rules developed for the grant program.

**Purpose:** This increase would encourage more landowners to keep land open to the public for non-motorized recreation as the MFL intended. The increased revenue to the state would be set aside for a grant program to be targeted at increasing public hunting/recreational land through the

purchase of easements and possibly land acquisition. This money would be available to the DNR, local units of government and land trusts.

- The department would have the ability to assess a fine of \$250 against an owner for each failure to complete a mandatory forestry practice during the period of time required. 20% of this noncompliance assessment would go to the county and 80% would go to the town in which the violation occurred. The town would collect these assessments. The DNR would still have the ability to extend practice dates or modify the practice based on market conditions and silviculture recommendations.

**Purpose:** The intent would be to emphasize the importance for landowners to follow their management plans, to reduce the backlog of uncompleted practices, and to provide additional funds to towns and counties losing income from fewer yield tax payments.

- If personal property taxes were not paid on MFL lands, it would be possible to withdraw the land from the MFL.

**Purpose:** The intent would be to underscore the importance for landowners to pay personal property tax assessed on buildings on MFL lands.



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